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# **Memorandum of Information**

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# **LONDON DEVELOPMENT PANEL 2**

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## Table of Contents

1. Introduction.....	3
2. London Development Panel 1.....	4
3. London Development Panel 2.....	5
4. Procurement Process.....	7
5. Bidding Arrangements.....	8
6. Entering the Framework Agreement.....	9
7. Mini Competitions and Call-Off Contracts.....	9

## **1. Introduction**

- 1.1 This Memorandum of Information (MOI) provides background information and a summary of the process for the procurement and operation of the GLA's London Development Panel 2 (LDP2).
- 1.2 Please read this MOI carefully alongside the other documents which can be found on TfL's e-tendering Portal when reading the Standard Selection Questionnaire (SQ) and completing the SQ Response Templates. The defined terms used in the SQ apply to defined terms in this MOI.
- 1.3 Applicants should note that Transport for London (TfL) is providing procurement support to the GLA and is acting as the GLA's procurement Agent.
- 1.4 The deadline for receipt of completed SQ Response Templates is **12 noon on 11/08/2017**.

## 2. London Development Panel 1

- 2.1 The GLA established the London Development Panel (LDP1) in 2013 with the express aim of accelerating the release and development of public land for residential-led development in Greater London. LDP1 is an OJEU procured framework comprising 25 of London's prominent developers and contractors. It is available for use by all public sector landowners and Registered Housing Providers (RPs) across Greater London who can use the framework to select development partners or contractors to deliver residential-led development on their land.
- 2.2 A range of sites have been put through LDP1 from large-scale, multiphase, development opportunities to contracting opportunities for small residential schemes. Examples include:
- *Stephenson Street, West Ham* - This 10 hectare GLA-owned site is located opposite West Ham tube station. It will deliver 3,750 dwellings of which 1/3 will be affordable, 1/3 private rented accommodation and 1/3 private sale. The scheme includes ancillary commercial uses;
  - *Beam Park, Dagenham* – This extensive former industrial site will be comprehensively regenerated to deliver c2,800 new dwellings, a C2C station and 2 new primary schools;
  - *Silvertown Way, Canning Town* – This prominent site will deliver c950 new dwellings, a hotel, gym, retail space and affordable work space;
  - *Hounslow Town Primary School* - This project comprises the construction of a new primary school on part of an existing school site and on adjacent council land. 284 dwellings will also be delivered as part of the scheme;
  - *Colville Estate phase 2A & B, Hackney* - This estate regeneration scheme will deliver 116 new homes (70 social rent, 6 shared ownership and 40 private sale) and 3 commercial units with associated public realm.
- 2.3 LDP1 has proved attractive to public sector landowners as it is an efficient mechanism for securing development partners for the following reasons:
- The panel's mini-competition process reduces the time taken to select a development partner in comparison to a full OJEU procurement exercise;
  - Cost savings are also achieved through use of the panel's standard mini-competition and legal documents;
  - The panel offers free soft market testing advice, allowing public land owners to informally test development options before committing to a mini-competition;
  - 37 organisations have signed up to use LDP1 including 24 boroughs.
- 2.4 LDP1 has a four-year lifespan and is due to expire in November 2017. There is no equivalent framework available in London. Recent consultation with public sector landowners across Greater London has clearly indicated that there is support for the procurement of a new panel (LDP2) to support the delivery of new residential-led development over the next four years.

### 3. London Development Panel 2

- 3.1 It is expected that LDP2 will become a key tool of Homes for Londoners - the umbrella organisation for housing delivery in London, led by the Mayor. The LDP's streamlined methodology for securing development partners has proved successful both within the GLA on its own sites as well as externally. LDP2 is expected to build on this success and become the default mechanism for securing residential-led development on public land in the capital.
- 3.2 **As such, LDP2 will gather together a pool of the capital's expertise in housing delivery. The Mayor is calling for bids from proactive developers and contractors capable of delivering high quality, mixed tenure residential development.**
- 3.3 LDP2 will build on the benefits of the LDP1. In preparing for LDP2 the GLA has reflected on feedback from a variety of organisations that have used the framework to ensure that improvements are made. In summary, LDP2 will:
- Be a framework for residential-led development to support the Mayor's ambition to accelerate housing development;
  - Be available to all public landowners and Registered Providers who wish to deliver housing development in Greater London;
  - Be a single lot framework comprising up to 30 Panel Members;
  - Preserve the speed, clarity and flexibility of the current LDP1 through incorporating a defined mini-competition process, a standard set of Call-Off Contracts which are designed to adapt to the tenure and complexity of the scheme being procured and the ability to be used for both development and contracting opportunities;
  - Incorporate an updated suite of Call-Off Contracts. The new Development Agreement is more a streamlined document accompanied by detailed guidance notes for users of the document. It offers additional flexibilities to deal with both single and multiphase developments and allows contracting authorities to take a longer-term income or profit share from development projects and/or a capital receipt;
  - Include a standard building lease and range of template headleases which have been drafted to support various forms of development and income sharing arrangements; for example, an incoming sharing PRS headlease.
  - The framework has been updated to allow greater flexibility around those able to enter into Call-Off Contracts (see section 7 below)
- 3.4 LDP2 Panel Members will offer a comprehensive range of development services. This includes, but is not limited to:
- Site acquisition and land assembly;
  - Planning and delivery of meanwhile or temporary uses prior to construction;
  - Estate management;
  - Raising of development finance;
  - Master planning;
  - Design development;

- Phasing strategy;
- Obtaining planning permission;
- Supply chain management;
- Construction of development;
- Provision of housing of all tenures including private sale housing, affordable housing and purpose built private rented housing;
- Design and construction of infrastructure to support housing;
- Sales and marketing of homes;
- Aftercare, maintenance and where applicable, ongoing management of completed development;
- Structuring of development risk and reward.

3.5 Specifically, the following types of development are included (but not limited to):

- Development and disposal of sites for residential use;
- Development and disposal of mixed-use residential-led sites. Mixed-use elements to include health facilities, education and community facilities, retail or commercial development;
- Estate regeneration;
- Refurbishment / retrofit of existing houses, residential buildings, empty homes and associated buildings for residential-led use;
- Refurbishment, restoration, conversion of heritage or other buildings for residential-led use;
- Demolition, site remediation, infrastructure and enabling works to prepare sites for residential or mixed-use development;
- Design and construction of homes;
- Development of Extracare accommodation;
- Self-build or custom build enabling as part of a larger development;

3.6 The GLA expects that LDP2 will become the go-to method for public procurement of housing-led development in London and that a diverse range of projects will be accommodated through the new contracting options. Over its 4-year lifespan it is anticipated that LDP2 may be used to procure up to £20 billion of development, measured as Gross Development Value.

## 4. Procurement Process

4.1 Up to 30 Panel Members will be appointed to LDP2 through a two-stage procurement process:

- Firstly, Applicants will respond to the Standard Selection Questionnaire set out in the SQ Response Templates. These questions assess an Applicant's previous experience and their financial standing. Applications are welcome from all organisations with a track record of delivering residential development and who are able to meet the criteria set out in the SQ.
- Secondly, the top 50 scoring Applicants who meet the minimum score threshold (please refer to the SQ) are then invited to tender (ITT). At this stage, Applicants prepare a development proposal for a hypothetical site. Applicants' master-planning, project management, construction, health & safety and after care strategies will be assessed as will their financial offer for the land. Up to 30 of the highest scoring Applicants will be offered a place on LDP2.

4.2 These successful Applicants will each enter a Framework Agreement with the GLA. The Framework Agreement, which can be found in the Portal, sets out the terms and conditions of LDP2 and sets out the procedures for Mini-Completions and Call-Off agreements.

4.3 The indicative timetable for this procurement is set out in the following table. Please note, the GLA reserves the right to amend this programme.

Procurement Stage	Indicative Date
Deadline for SQ clarification questions	01/08/2017
Deadline for submission of SQs	11/08/2017
ITT issued	October 2017
Deadline for submission of ITTs	January 2018
Contract awarded (Framework Agreement signed)	April 2018

## 5. Bidding Arrangements

- 5.1 The GLA is seeking to appoint proactive developers and contractors capable of delivering high quality, mixed tenure residential development. Applications to become a Panel Member are welcomed from any entity or consortium of entities which believes it can satisfy the criteria set out in the SQ.
- 5.2 Applications are anticipated to be made on one of the following bases:
- **Single entities:** Where the Applicant is a single entity applying to become a Panel Member with or without reliance on a Parent Company to guarantee its obligations where Call-Off Contracts are awarded.
  - **Consortia:** Where the Applicant is a group of one or more entities applying jointly to become a single Panel Member. One Consortium Member must take the role of Lead Party, applying to become the Panel Member on behalf of a Consortium, with or without reliance on a Parent Company.
- 5.3 When deciding whether to bid as a single entity, consideration should be given as to whether the entity could meet the SQ and ITT criteria in its own right. If not, consideration could be given to bidding in a consortium of two or more entities, where the skills and experience of the consortium as a whole may create a stronger offer.
- 5.4 Applicants (both single entities and Consortia) will be required to provide sufficient security to guarantee the performance and delivery of their obligations contained within any Call Off Contracts they are awarded. Where an Applicant cannot provide security in its own right, the likely preferred form of guarantee will be a Parent Company guarantee. Applicants who will rely on a Parent Company to guarantee any Call-Off Contracts should identify the Parent Company as part of their Application.
- 5.5 The GLA is also offering further flexibility for Consortia. When LDP2 is operational, Consortium Members, in limited circumstances, will be able to bid as individuals in Mini Competitions and enter Call-Off Contracts in their own right.
- 5.6 To do so, Consortium Members must complete an independent full SQ response and have the Lead Party in the Consortium submit this alongside the Consortium Application by 12 noon on 11/08/2017. The Consortium Member must achieve the minimum score threshold as set out in section 5 of the SQ Instructions. Their Consortium must then be successful in their Application to become a Panel Member. In these circumstances, these “qualifying” Consortium Members may bid for and enter into a Call-Off Contract where:
- A Mini-Competition begins which is identified by the Consortium as requiring only or materially only the technical capabilities of one or more of the Consortium Members, not being the Lead Party of the Consortium; and
  - The Lead Party of the Consortium agrees to submit a response to the Mini-Competition on behalf of the relevant Consortium Member and clearly identifies the intention that only this Member of the Consortium wishes to enter into the Call-Off at Sifting Brief Stage; and
- 5.7 **Each Applicant should carefully read the instructions in the SQ and in particular Table 2 (SQ Response Requirement) in section 3 to understand what is required to be submitted as part of its Application.**



## 6. Entering the Framework Agreement

6.1 Arrangements for entering the Framework Agreement, the deed which governs the operation and use of LDP2, are as follows:

- **Single entities** - will enter into the Framework Agreement on their own;
- **Single entities with reliance on a Parent Company** – both the single entity and its Parent Company enter into the Framework Agreement, the single entity as Lead Party and the Parent Company as Guarantor of their obligations;
- **Consortiums (no Parent Company)** - The Lead Party will be the Panel Member and sign the Framework Agreement;
- **Consortiums (with Parent Company of Lead Party)** – The Lead Party for the consortium having reliance on a Parent Company will be the Panel Member under the Framework and the Parent Company will also be a party and will Guarantee the obligations of the Lead Panel Member/Consortium under the Framework Agreement.

## 7. Mini-Competitions and Call-Off Contracts

7.1 When LDP2 becomes operational, public land owners can appoint Panel Members to deliver residential-led development on their land. When a preferred Panel Member has been identified through a Mini-Competition, a Call-Off contract, under which the GLA or other public body draws down services from LDP2, will be entered into to document the agreement between the Panel Member and the land owner.

7.2 Through LDP2, GLA is offering a range of flexibilities for bidding in Mini-Competitions and entering Call-Off agreements:

- A Panel Member or a wholly owned subsidiary/parent, can enter into a Call-Off and the Panel Member (or where there is a guarantor, the guarantor) will guarantee the contract;
- Panel Members (or wholly owned subsidiaries/parents) may bid jointly for projects and may both enter into a Call-Off Contract, on a joint and several basis. Where either or both Panel Members rely upon a Parent Company under the Framework, the Parent Company will be required to guarantee its Panel Member and therefore will need to be a party to any Call-Off Contract;
- Where a Consortium is delivering a project, the Lead Party signs the Call-Off along with any Guarantor, if applicable; or
- The Framework Agreement also allows for non-Lead Party Consortium Members to bid for and, where successful, enter into a Call-Off Contract where the criteria described in 5.6 above are met;

7.3 It is also envisaged in the Development Agreement that the Panel Member may wish to delegate the performance of some of its obligations to a Sub Developer – see clause 22 of the Development Agreement. This third party would need to be approved by the GLA or Other Body, and such approval could be withheld in certain circumstances. GLA would approve the third party as part of the mini competition process.

- 7.4 Where the Sub-Developer is approved, the Panel Member would enter the Development Agreement and guarantee the delivery of the whole for the project. However, where appropriate, the Sub Developer could draw down a building lease for a phase.
- 7.5 A Joint Venture or Special Purpose Vehicle between a Panel Member and a third party is not permitted to enter a Call-Off contract.